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OCTOBER TERM, 1952

No. ~~725~~ 38

SIDNEY STEELE, *et al*, PETITIONERS

versus

BULOVA WATCH COMPANY, INC., RESPONDENT.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR FIFTH CIRCUIT

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Petitioners, Sidney Steele and wife, Sofia Steele, pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fifth Circuit entered in the above cause on February 21, 1952. Petition for rehearing was denied on March 13, 1952.

OPINIONS BELOW

The Findings of Fact and Conclusions of Law and the judgment of the District Court are printed in the Record. (R. 347-50). The majority opinion of the Court of Appeals and the dissenting opinion of Judge Russell, yet unpublished, are printed in the Record. (R. 560-75)

JURISDICTION

Jurisdiction to review this case upon writ of certiorari is conferred by 28 U. S.C. Sec. 1254 (1). The judgment of the Court of Appeals for the Fifth Circuit was entered on February 21, 1952. Petition for Rehearing was filed March 7, 1952, and order denying the same was entered on March 13, 1952.

QUESTIONS PRESENTED

The questions presented are, whether the Court of Appeals erred in the following holdings which constitute the basis for its judgment:

1. In holding that the Lanham Trade-Mark Act (15 U.S.C. Sec. 1051 et seq.) prescribes standards of fair competition to be observed by all nationals of the United States in the Republic of Mexico and throughout the world and hence form the basis for a court of the United States to enjoin the use of a trade-name held under a grant from the Republic of Mexico and used solely within the Republic of Mexico in the internal commerce of that Nation.

2. In holding that a United States District Court has power to apply the laws of the United States and enjoin the use of and thus nullify and cancel Mexican National Trade-Mark No. 33602, adjudicated by the Courts of Mexico to validly grant to Petitioner, Sidney Steele, the right to use the name "Bulova" in the Republic of Mexico as a trade-name for watches, the evidence showing that watches bearing the name are assembled and stamped with the name in Mexico and sold only in the internal commerce of Mexico.

3. In holding that the mere fact that Sidney Steele is an American citizen and the Trial Court acquired jurisdiction by service of process on him, gave the Trial Court power to apply to his alleged acts of competition in Mexico

the laws of the United States, in the face of the fact that his use of the name "Bulova" solely in the internal commerce of the Republic of Mexico was in accordance with a trade-mark granted under Mexican law and adjudicated to be valid by the Mexican Courts.

4. In holding that the purchase of watch cases and watch dials from manufacturers and jobbers in the United States by Sidney Steele "had substantial affect on foreign commerce" resulting in "injury to the Bulova Watch Company within the border of the United States" (which finding is not supported by the record) because the purchase of such unbranded cases in the United States does not violate any right of the Bulova Watch Company, and does not justify nor tend to justify, an injunction enjoining the use solely in the Republic of Mexico of the registered trade-mark granted under the laws of that Nation.

The errors committed by the Court of Appeals set out above are hereby adopted as the "Specification of Errors to be Urged" in this Court.

STATUTE INVOLVED

The Lanham Trade-Mark Act, Act of July 5, 1946, 60 Stat. 427, incorporated in 15 U.S.C. Secs. 1051-1127. The interpretation of no specific provisions of this Act is involved but its general applicability to transactions within the Republic of Mexico is the question at issue.

STATEMENT

Respondent, Bulova Watch Co., Inc., filed suit on June 13, 1949, in the United States District Court at San Antonio, Texas, against Petitioners seeking a permanent injunction against the use by Sidney Steele of the name "Bulova" and a decree requiring cancellation of his duly granted trade-mark covering the name in Mexico. (R. 9-11).

Steele answered, stating that on December 5, 1933, he was granted Mexican National Trade-mark No. 33602 covering the name "Bulova" for use in connection with the sale of Swiss watches of all classes and that he had been engaged in selling Swiss watches imported from Switzerland in Mexico under said trade name since 1933; that his right to use the same in connection with the sale of Swiss watches in Mexico had been twice adjudicated by the Mexican courts in actions brought by Bulova Watch Company and its agent; and that the relief sought by Respondent had been barred by limitations and laches on account of some sixteen years of delay in seeking same. (R. 12-22).

The District Court, based on undisputed evidence, made the following findings of fact, none of which were complained of by Respondent in the Court below:

> "1. The Defendant Sidney Steele is now and has been since 1933 engaged in the business of selling watches solely in the Republic of Mexico from his sole and only place of business located in Mexico City. The Defendant Sidney Steele has no place of business in the United States and does not engage in the sale of watches or other goods within the United States or any of its territories. The Defendant Sidney Steele does not compete in the sale of watches in the United States or in any territory subject to its jurisdiction. (R. 360).
>
> "2. None of the acts of the Defendant Sidney Steele in placing the name 'Bulova' on the face or works of watches or in the sale of watches bearing said name were done or performed within the United States or any of its territories, but were done and performed solely within the Republic of Mexico where the Defendant Steele assembles, marks and sells all of the watches bearing the name 'Bulova' which are assembled, marked and sold by him. (R. 360).

"3. The Defendant Sidney Steele procures all of the works of the watches sold by him solely from manufacturers of watches in Switzerland. None of the works of watches imported by him into Mexico from Switzerland have the 'Buloya, name stamped or engraved on them, said name being placed thereon by said Defendant at his place of business in Mexico City and not elsewhere. The Defendant Steele procures all watch cases and watch dials used by him in his business in Mexico City from Switzerland except for some watch cases and watch dials which are procured from manufacturers or jobbers in the United States. None of the watch cases or watch dials purchased in the United States or in Switzerland have the 'Bulova' name stamped or engraved thereon, such name being placed on watch dials by the Defendant Sidney Steele at his place of business in Mexico City and not elsewhere. (R. 361).

"4. On December 5, 1933, there was granted to S. Steele, Y. Cia., S. A., the predecessor in title of Sidney Steele, Mexican National Trade-mark No. 33602, purporting to grant the right to use the name 'Bulova' in the Republic of Mexico as a trade name for watches, and the Defendant Sidney Steele's asserted right to use said name is based on said Mexican trade-mark, which trade-mark has been the subject of litigation between the Plaintiff Bulova Watch Company, Inc., and the Department of National Economy and the Director of National Property of the Republic of Mexico in cases before the Mexican courts in which Defendant Sidney Steele was a party, and the Plaintiff has not up to this time been successful in such litigation. At the present time there is a suit or proceeding pending in Mexico with reference to the right as between Plaintiff and the Defendant Sidney Steele to use the 'Bulova' name on watches assembled and sold by said Defendant in Mexico." (R. 361).

Based upon the above findings, the Trial Court made the following conclusions of law:

> "1. The Court concludes that as a matter of law the alleged acts of unfair competition complained of by Plaintiff were and are done and performed wholly outside of the jurisdiction and control of the Government and laws, both State and Federal, of the United States and outside of the territorial jurisdiction and powers of this Court.
>
> "2. The Court concludes that as a matter of law the acts and conduct complained of relate to the internal commerce of the Republic of Mexico, solely within the jurisdiction and control of the Courts and the laws of the Republic of Mexico.
>
> "3. The Court concludes as a matter of law that it is without authority or jurisdiction to set aside or otherwise annul the Mexican trade-mark under which Defendant asserts the right to use the 'Bulova' name." (R. 362).

On February 12, 1946, thirteen years after the granting of the Mexican trademark to Steele, Bulova Watch Co., through its attorney-in-fact, George Kessel (also called Jorge Kessel Jasven)., commenced an administrative proceeding before the Director of Industrial Property seeking to set aside the registered trademark, making Sidney Steele a party to the proceeding and alleging that he had fraudulently registered the trade name "Bulova." (R. 386-414). The Director General of Industrial Property denied the application on the ground that it was barred by a three-year limitation upon such actions prescribed by the Mexican law, (R. 419) and that "the proofs rendered do not carry the conclusion that the trademark 'Bulova' was notoriously known in this country on the date of the registry of such trademark." (R. 420).

The Bulova Company brought suit in the Federal District Court in Mexico City to set aside the above ruling of the Director of Industrial Property alleging, (a) that Bulova Watch Co. has "had the trademark 'Bulova' registered in Switzerland, United States of America and other countries, for more than forty years" and has sold watches under such name throughout the world and (b) that "Mr. Sidney Steele, in all bad faith had fraudulently registered the trademark 'Bulova' in his name in the office of Industrial Property, keeping such registration secret until he judged the necessary time had run in order that he might from then on devote himself to selling watches of poor quality made in Mexico by him with the trademark 'Bulova,' thus taking away the prestige from the legitimate owner." (R. 430-433).

This suit was tried in the Federal District Court at Mexico City, and the relief prayed for was granted, reversing the ruling of the Director General of Industrial Property. (R. 467-74).

The case was appealed by Sidney Steele and the Director of Industrial Property to the Supreme Court of Mexico (R. 475-498), and on June 24, 1948, the Supreme Court revoked the judgment of the District Court and denied all relief to the Bulova Watch Co., the court decreeing that "the judgment entered in the injunction suit to which this cause refers is revoked." (R. 513-514).

Thus, the administrative decision by the Director of Industrial Property sustaining the validty of the registered tradename "Bulova" and Sidney Steele's right to the use of the name was finally adjudicated against Bulova Watch Co. by the Supreme Court of Mexico. Every issue in the instant case was involved in that case and was adjudicated against Bulova Watch Co. and in favor of Steele.

On September 8, 1948, Bulova Watch Co. through its agent commenced a proceeding in the Federal District Court in Mexico City against the Director General of Industrial Property, alleging that the Director General had granted and subsequently revoked an authorization in fav of Bulova's agent to deal in imported watches under the name "Bulova." Sidney Steele was named "the third prejudiced party in the suit." (R. 517). The plaintiff prayed for an injunction against the action of the Director General of Industrial Property in revoking an official communication of December 30, 1946, recognizing the agent's right to the use of the name "Bulova" in Mexico on watches which he desired to import and sell. (R. 520). This injunction was denied, thus affirming the right of Sidney Steele to use the trade name under the grant from the Director General of Industrial Property. (R. 528-9).

REASONS FOR GRANTING THE WRIT

The Circuit Court has decided Federal questions in a way which is in conflict with applicable decisions of the Supreme Court as follows:

I.

The majority opinion of the Court of Appeals holds that the Lanham Trademark Act, setting up rules with reference to unfair competition in the use of trademarks and tradenames, is applicable to acts of an American citizen engaged in selling watches solely in the Republic of Mexico. The decision proceeds on the ground that the powers of the trial court over Steele arose out of his being an American citizen and the fact that he was brought into court by process served upon him within the Western District of Texas.

This holding is in conflict with the decision of the Supreme Court in *American Banana Co. v. United Fruit Co.*,

213 U. S. 347, 53 L. Ed. 826, in which this Court held that the correct rule was "that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done," and refused to apply the anti-trust laws of the United States in a suit between two American corporations arising out of competitive activities in Panama and Costa Rica. In its opinion this Court said:

> "For another jurisdiction, if it should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would be unjust but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent."
>
> "The foregoing considerations would lead, in case of doubt, to a construction of any statute as intended to be confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power. 'All legislation is prima facie territorial.' Ex parte Blain, L. R. 12 Ch. Div. 522; State v. Carter, 27 N. J. L. 499; People v. Merrill, 2 Park. Crim. Rep. 590, 596. Words having universal scope, such as 'every contract in restraint of trade,' 'every person who shall monopolize,' etc., will be taken, as a matter of course, to mean only everyone subject to such legislation, not all that the legislator subsequently may be able to catch."

II.

The holding of the majority of the Court of Appeals that the trial court had the power under law to permanently enjoin the use of the Mexican National Trademark No. 33602 granted to Steele in accordance with Mexican statutory law and which had been held valid by the Mexican Courts, ignored and ran counter to the following decision of this Court:

In *Schooner Exchange v. M'Faddon*, 11 U. S. 116, 3 L. Ed. 287, this Court, speaking through Chief Justice Marshall, stated the fundamental concept of international law that the governmental powers of one sovereign nation do not extend into and govern rights within the territorial domain of another, as follows:

> "The jurisdiction of courts is a branch of that which is possessed by the nation as an independent sovereign power.
>
> "The jurisdiction of the nation within its own territory is necessarily exclusive and absolute. It is susceptible of no limitation not imposed by itself."

III.

The majority opinion of the Court of Appeals holds that an enforceable right to use a trade-mark or trade-name may not be acquired by an American citizen in accordance with the law of a foreign country if the same trade-mark or trade-name has been registered or used in the United States by others. This holding is in conflict with the law consistently applied by this Court in the following cases:

In *Ingenohl v. Olsen & Co.*, 273 U. S. 541, 71 L. Ed. 762, involving the recognition of a trade-mark in the British colony of Hong Kong, this Court put the matter tersely as follows:

> "A trade-mark started elsewhere would depend for its protection in Hong Kong upon the law prevailing in Hong Kong, and would confer no rights except by the consent of that law."

In *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 60 L. Ed. 713, Justice Holmes in a concurring opinion stated the power of different nations over the use of trade-marks within their boundaries as follows:

"But it never should be forgotten, and in this case it is important to remember, that when a trademark started in one state is recognized in another it is by the authority of a new sovereignty that gives sanction to the right. The new sovereignty is not a passive figurehead. It creates the right within its jurisdiction, and what it creates it may condition, as by requiring the mark to be recorded, or it may deny."

IV

The majority opinion of the Court of Appeals in holding that the purchase by Steele of unbranded and unmarked watch cases and dials in the United States and the importation of same into Mexico constituted a wrong which may be complained of by Bulova Watch Co., or was a fact which gave the trial court power to enjoin Steele's use of the name "Bulova" on watches placed in the imported watch cases, is in conflict with and contrary to the decision of the Supreme Court in the following case:

In *Dowagiac Manufacturing Company v. Minnesota Moline Plow Co.*, 235 U. S. 641, 59 L. Ed. 398, this Court held that a sale in Canada of grain "drills" or planters covered by a United States patent did not constitute an infringement of the patent, holding that the place of sale and not the place of origin of the product was determinative of the question as to the application of the foreign law. In its opinion this Court said:

"Some of the drills, about 261, sold by the defendants, were sold in Canada, no part of the transaction occurring within the United States, and as to them there could be no recovery of either profits or damages. The right conferred by a patent under our law is confined to the United States and its territories (Rev. Stat. Sec. 4888, Comp. Stat. 1913, Sec. 9428), and infringement of this right cannot be pred-

> icated of acts wholly done in a foreign country. See United Dictionary Co. v. G. & C. Merriam Co. 208 U. S. 260, 265, 52 L. Ed. 478, 480, 28 Sup. Ct. Rep. 290. The case of Gould's Mfg. Co. v. Cowing, 105 U. S. 253, 26 L. Ed. 987, is cited as holding otherwise, but is not in point. There the defendant made the infringing articles in the United States. Here, while they were made in the United States, they were not made by the defendants. The latter's infringement consisted only in selling the drills after they passed out of the makers' hands. The place of sale is therefore of controlling importance here."

What Bulova Watch Company seeks to enjoin Steele from doing is the placing of the word "Bulova" on the watches in the Republic of Mexico. No injunction is sought in this case against his purchasing unbranded watch cases and watch dials in the United States. The purchase of unmarked watch dials and watch cases in the United States does not violate any of Bulova Watch Company's legal rights and it forms no basis for granting it any relief against Steele.

V.

The majority opinion of the Court of Appeals holds that the Trial Court had the power under law to grant Bulova Watch Co. an injunction against the use by Steele of the Mexican trade-mark "Bulova" in the face of the fact that his right to use the same in Mexico had been adjudicated against Bulova Watch Co. and in favor of Steele in the Mexican Courts. This holding of the court below is in conflict with a decision of this Court and the Court of Appeals for the First Circuit as follows:

In *Underhill v. Hernandez*, 168 U. S. 250, 42 L. Ed. 456, this Court stated the rule requiring recognition of foreign judgments and of the acts of friendly foreign governments as follows:

> "Every sovereign state is bound to respect the independence of every other sovereign state, and the courts of one country will not sit in judgment on the acts of the government of another done within its own territory. Redress of grievances by reason of such acts must be obtained through the means open to be availed of by sovereign powers as between themselves."

In *Harrison v. Triplex Gold Mines*, 33 F. 2d, 667, the Circuit Court for the First Circuit passed upon a case in which plaintiff sought an injunction against a Canadian corporation recognizing certain rights of the individual defendants in the case which had been established by a decree of the Canadian Courts against the corporation. The case was a derivative suit brought by stockholders of the corporation and was, therefore, viewed as a suit by the corporation attacking the Canadian judgment. In deciding the case the Circuit Court said:

> "When citizens of this country engage in an enterprise in a foreign country with respect to property there situated, they subject themselves to the laws, decisions, and decrees of its courts repecting such property and property rights. No cases have been cited and none have been found which would sustain the jurisdiction of this court to declare null and void the orders and decrees of a court of general jurisdiction in Canada."

Mexican National Trade-mark No. 33602 granted to Steele is a species of property created by the laws of Mexico and adjudicated to be valid as against Bulova Watch Co. by the Mexican courts. The trial court did not have the power to annul this right.

As pointed out in the "Statement" above, the right of Sidney Steele to use the name "Bulova" on watches sold in

the Republic of Mexico was determined by the judgment of the Supreme Court of Mexico in 1948 (R. 513-14), and by the District Court for the Federal District in December, 1949. (R. 528-9).

VI.

The Court of Appeals in this case has decided an important question of Federal law which should be settled by this Court. The Court clearly misconstrued the Lanham Trademark Act as expressing an intent on the part of Congress to regulate competition confined to the internal commerce of a foreign country, which Congress has no power to do.

The Lanham Trademark Act does not contain provisions which purport to extend the application of the Act beyond the boundaries of the United States. It forbids unfair competition and the unlawful use of a trademark in "commerce," and defines the term "commerce" as all commerce "which may lawfully be regulated by Congress." The Supreme Court has held that Congress has no jurisdiction or power beyond the boundaries of the United States and its possessions. The power of Congress does not extend to regulating commerce within the territorial limits of a foreign nation whether such commerce be engaged in by a national of this country or a native of the foreign country.

Section 1124 of Title 15, United States Code, a part of the Lanham Act, contains a specific prohibition against the importation into the United States of labelled or branded merchandise "which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader," thus clearly recognizing that goods bearing such marks or names which are not imported into the United States are beyond the reach of the Act.

The majority opinion of the court below relies on the commentary of Daphne Roberts on the Lanham Act, 15 U. S.

C. A. preceding Sec. 1051. This commentary as quoted in the opinion deals principally with the extension of by the act of the Federal power as against the laws of the states composing the United States. It is obvious that the powers of Congress granted by the Federal Constitution are paramount to the legislative authority of the several states of the United States. This is not true with reference to the legislative or administrative or judicial acts of the Republic of Mexico or any other foreign state. The Circuit Court indulged in the fallacy that the acts of Steele in branding watches with the "Bulova" name in Mexico and selling them solely in the "domestic" commerce of that country in accordance with rights granted him under Mexican law constitute acts done in "foreign" commerce within the meaning of the law. This is not correct.

This case should be disposed of in accordance with the dissenting opinion of Judge Russell in the court below.

CONCLUSION

For the foregoing reasons, this petition for writ of certiorari should be granted.

Respectfully submitted,

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